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SOVIET GOLD POLICY AND USE OF GOLD AS INTERNATIONAL PAYMENTS

1. Soviet leaders believe that the USSR must accumulate gold and foreign exchange reserves "in order to have the possibility of purchasing abroad everything necessary for the security, the greatness, the invincibility, and the independence of their socialist motherland." These reserves "act as a fund of world money, which can be transformed on the world market into means of production and articles of consumption needed by the socialist state."
2. The specific current uses of gold in Soviet foreign trade are; (1) to cover routine deficits in the Soviet balance of payments with Free World countries, (2) to finance emergency purchases abroad when an unexpected contingency threatens to dislocate the internal economic plan, and (3) to make gold loans to other members of the Bloc and selected Free World countries. The USSR thus uses gold systematically as a means of international payment. That Soviet gold sales to the Free World are related to foreign trade imbalances is demonstrated by the fact that the substantial trade deficits in 1953 and anticipated deficits in 1954 brought forth peak postwar Soviet gold deliveries during this period. (see attached table).
3. Soviet leaders believe that their gold reserves must be maintained at levels which allow them flexibility in international transactions. The minimum level of gold reserves and the rationale for determining the level are not known. There have been no announcements on the size of gold reserves since before World War II. However, Soviet gold reserves are estimated currently at roughly US \$4 billion and are being augmented from new production of approximately \$175 million per year. The USSR is the second largest producer of gold in the world (after South Africa which produced \$510 million in 1955) and holds the second largest reserve (after the U.S. which held \$21.8 billions at the end of 1955).
4. In relation to Soviet imports (approximately \$3 billion in 1955) the gold reserve is extremely large. Peak post-war sales of gold to the Free World (1953) amounted to less than 4 percent of estimated Soviet total gold reserves. These reserves are not solely determined by the routine requirements of international payments. With respect to foreign transactions, two additional reasons are suggested in statements by Soviet leaders; (1) large reserves would ensure the means for acquiring any goods which the USSR might need in conditions of famine, industrial dislocation,

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economic sanctions by foreign nations, natural catastrophe, or war, and (2) during an economic depression in capitalistic countries these reserves would ensure imports on the most advantageous terms. A third reason might be suggested: a large gold reserve provides the potential for financing subversive activities as well as for supporting economic activity for political purposes, (e. g., to finance activities in the underdeveloped areas; to disrupt Free World commercial markets). While these reserves have not been generally employed in the current Bloc economic penetration effort, they are a potential asset for this program.

5. The internal USSR monetary uses of gold are not known. Soviet writers on gold policy have not clarified this issue. While some writers have stated that Soviet currency has a gold backing (25 percent by value) others have claimed that gold has no domestic monetary significance. Whether or not the USSR has demonetized gold, the size of the current reserve gives the USSR a great deal of potential flexibility in international economic activities.

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Soviet Gold Sales to the Free World, 1946-55
(Millions of US \$)

1946	\$33.7
1947	55.4
1948	-4.5*
1949	0
1950	0
1951	0
1952	0
1953	150
1954	93
1955	70

* Soviet-owned gold in US returned to USSR.

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21 NOV 1956

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Transmittal of Material for the President's
Citizen Advisors on the Mutual Security
Program

1. In response to your request, I am enclosing copies of the Director's briefing paper on the "Sino-Soviet Bloc Aid Program" for transmittal to the President's Citizen Advisors on the Mutual Security Program. Additional copies are enclosed for the DCI, DDCI, and for your files.

2. At the Director's briefing on 26 October 1956, the Advisors expressed considerable interest in Soviet gold policy and in Soviet agriculture. DRB, in response to this interest, has prepared a short paper on each of these subjects which also are enclosed for forwarding, at your discretion, with the briefing paper.

A somewhat more extended treatment on Soviet gold policy will be published on 26 November 1956 as an Intelligence Memorandum. This forthcoming report will summarize Soviet gold policy, reserves, production, and uses.

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J. E. GUINE
Assistant Director
Research and Reports

Enclosures:

As indicated.

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DRAFT

MEMORANDUM FOR: ~~Robert A. Amery~~, Deputy Director (Intelligence)

SUBJECT: Information on Soviet Gold Policy

REFERENCE: Interest shown in this subject by the members of the President's Citizen Advisors on the Mutual Security Program at the Director's briefing October 1956

1. At the Director's briefing of the President's Citizen Advisors on the Mutual Security Program on 26 October 1956, the members expressed considerable interest in Soviet gold policy. The attached memorandum which briefly analyzes Soviet gold policy will amplify the remarks made at the briefing on this subject.

2. A ^{somewhat} slightly more extended treatment on Soviet gold policy will be published on 26 November 1956 as an Intelligence Memorandum. This forthcoming report will summarize Soviet gold policy, reserves, production and uses.

3. I have included 14 additional copies in case you wish to make further distribution.

OTTO E. GUTHE 23
Assistant Director 25
Research and Reports 30

Attachment

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Office Memorandum • UNITED STATES GOVERNMENT

25X1 TO :
THRU :
FROM :

DATE: 10 January 1957

SUBJECT: Project 42.1657, "Soviet Gold Policy and International Uses"

1. Stage one, which consisted of a brief three page memorandum, was completed and forwarded to the requester on 2 November 1956.

2. Stage two will consist of a brief IM on the same subject; but in order to complete the project, another one hundred man-hours will be required. Since the responsible analysts are currently engaged with other commitments, the due date is extended from 21 December 1956 to 30 April 1957.

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3 NOV 1950

IP-484

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Next 4 Page(s) In Document Exempt

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Office Memorandum • UNITED STATES GOVERNMENTTO : **AD/CI**

DATE:

Attn :

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FROM :

AD/RRSUBJECT: **Transmittal of Memo to R/SPS/State**

It is requested that the attached memorandum be transmitted via your channels to Mr. T. A. Polyzoides, Director of the Intelligence Special Projects Staff of State.

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OTTO E. GUTHE

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